



THE CITY OF SAN DIEGO
MAYOR JERRY SANDERS

MEMORANDUM

DATE: November 30, 2007
TO: Honorable Councilmember Donna Frye
FROM: Eduardo Luna, Internal Auditor *EL*
SUBJECT: City Charter Section 39 Reports

Section 39 of the City Charter requires the City Auditor and Comptroller to "submit to the City Manager and to the Council at least monthly a summary statement of revenues and expenses for the preceding accounting period, detailed as to appropriations and funds in such manner as to show the exact financial condition of the City and of each Department, Division and office thereof."

I am unable to provide the requested reports because I do not hold the position of City Auditor and Comptroller. Furthermore, producing the required reports would impair my independence and result in my violation of the two overarching independence principles contained in the Generally Accepted Government Auditing Standards, established by the Comptroller General of the United States. Specifically, Section 3.22 of Government Auditing Standards, July 2007 Revision establish that when assessing the impact of performing a nonaudit service for an audited program or entity:

- 1) audit organizations must not provide nonaudit services that involve performing management functions or making management decisions; and
- 2) audit organizations must not audit their own work or provide nonaudit services in situations in which the nonaudit services are significant or material to the subject matter of the audits.

In my professional opinion, producing the requested reports involves performing a management function and could result in a future situation of auditing my own work. If I can be of further assistance, please do not hesitate to contact me on (619) 533-5214.

CC: Honorable City Councilmembers
Honorable Mayor Sanders
Michael Aguirre, City Attorney
Andrea Tevlin, Independent Budget Analyst
Stanley Keller, Independent Monitor
Jay Goldstone, Chief Operating Officer



COUNCILMEMBER DONNA FRYE

**City of San Diego
Sixth District**

MEMORANDUM

DATE: November 19, 2007
TO: Eduardo Luna, City Auditor
FROM: Councilmember Donna Frye
SUBJECT: City Charter Section 39 Reports

Donna Frye

City Charter Section 39 requires that the City Auditor submit to the City Council, at least monthly, a summary statement of revenues and expenses for the preceding accounting period to show the exact financial condition of the City and each Department, Division and office thereof.

Given that the San Diego City Employees' Retirement System, Centre City Development Corporation, Redevelopment Agency of San Diego, San Diego Data Processing Corporation, San Diego Housing Commission and the Southeastern Economic Development Corporation are all component units of the City and incorporated into the City's financial statements, it is my belief that a monthly update on their budgets should be included as part of the Section 39 report. This, however, has not been past practice.

Your response as to when I may expect this information to be included as part of the City Charter Section 39 monthly reports is appreciated.

CC: Honorable City Councilmembers
Honorable Mayor Sanders
City Attorney, Michael Aguirre
Independent Budget Analyst, Andrea Tevlin
Stanley Keller, Independent Monitor

DF/ks